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**85-1410**

No. ——

IN THE

# Supreme Court of the United States

OCTOBER TERM 1985

MALONE & HYDE INC.,
*Petitioner,*

v.

TANDY CORPORATION,
*Respondent.*

## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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## QUESTIONS PRESENTED

1. Whether the trial courts' discretion to deny monetary relief in a trademark infringement case under the Lanham Act on the ground of laches should be restricted by a "Laches-Plus" test mandating mechanical reference to a forum state's statute of limitations.

2. Whether the trial courts' discretion to deny injunctive relief in a trademark infringement case under the Lanham Act on the ground of laches should be restricted by a requirement to find affirmative conduct in the nature of an estoppel on the part of the plaintiff.

## PARTIES

The parties are Petitioner, Malone & Hyde Inc., a Tennessee corporation with its principal offices in Memphis, Tennessee ("Malone & Hyde"), and Respondent, Tandy Corporation, a Delaware corporation with its principal offices in Fort Worth, Texas ("Tandy").

Pursuant to Supreme Court Rule 28.1, Malone & Hyde identifies Pitco Holdings Corporation and Pitco Acquisition Corporation as its parent companies. Malone & Hyde does not have any affiliates or subsidiaries that are not wholly owned.

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## PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SIXTH CIRCUIT

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Petitioner hereby requests that this Court issue a writ of certiorari to review a judgment of the United States Court of Appeals for the Sixth Circuit entered July 31, 1985.

### OPINIONS BELOW

The opinion of the United States Court of Appeals for the Sixth Circuit, reported at 769 F.2d 362 (6th Cir. 1985), is reprinted as Appendix A, pp. 1a-10a, to this petition.

The Court of Appeals' unreported order denying Malone & Hyde's petition for rehearing en banc is reprinted as Appendix B, pp. 11a-13a, to this petition.

The memorandum opinion of the United States District Court for the Middle District of Tennessee, reported at 581 F. Supp. 1124 (M.D. Tenn. 1984), is reprinted as Appendix C, pp. 14a-26a, to this petition.

## JURISDICTION

The judgment of the Sixth Circuit was entered in this action on July 31, 1985. Malone & Hyde's petition for rehearing was denied on November 26, 1985.

The jurisdiction of this Court is invoked pursuant to 28 U.S.C. § 1254(1).

## STATUTES INVOLVED

The statutes involved in this petition are §§ 34(a) and 35(a) of the Lanham Act, 15 U.S.C. §§ 1116(a) and 1117(a), which are reprinted as Appendix D, pp. 27a through 28a, to this petition.

## STATEMENT OF THE CASE

This is an action for service mark and trademark infringement under the Lanham Act, 15 U.S.C. § 1051 *et seq.* The District Court's jurisdiction was predicated upon § 39 of the Lanham Act, 15 U.S.C. § 1121, and 28 U.S.C. §§ 1332 and 1338.

In its complaint, Tandy alleged that the mark AUTO SHACK used by Malone & Hyde was confusingly similar to Tandy's marks RADIO SHACK, THE SHACK, and SHACK. Malone & Hyde denied that the marks are confusingly similar and asserted, *inter alia,* the affirmative defense of laches. Neither party sought a jury trial.

It was undisputed that Tandy learned of Malone & Hyde's use of the mark AUTO SHACK within a few days after Malone & Hyde opened its first AUTO

SHACK store in July 1979. By August 1979, Tandy decided to sue Malone & Hyde for trademark infringement but did not give notice to Malone & Hyde of the claimed infringement. Thereafter, Tandy silently monitored the expansion of Malone & Hyde's AUTO SHACK operation, acquired specific information concerning Malone & Hyde's expansion plans in February of 1980, but made no effort to notify Malone & Hyde of its objection to the mark AUTO SHACK for 32 months following its decision to sue. Tandy finally notified Malone & Hyde of its objection in March 1982 and commenced this action in April 1982, by which time Malone & Hyde had opened a total of 60 AUTO SHACK stores throughout a seven-state region and had spent more than $1.5 million promoting the mark AUTO SHACK.

In July 1983, after this case had been pending in the District Court for fifteen months, Malone & Hyde moved for summary judgment on the ground of laches.

In granting summary judgment, the District Court applied the traditional equitable principles applicable to the laches defense in a trademark infringement action as enunciated by cases from several circuits, most notably from the Second Circuit, noting that "[t]he length of delay necessary to establish laches depends on the circumstances of each case, and especially on the degree of injury and prejudice to the party asserting the defense." 581 F. Supp. at 1127. Moreover, the District Court recognized that a finding of laches can bar an accounting and that in the absence of conscious, intentional infringement, laches would bar prospective injunctive relief. 581 F. Supp. at 1127 n.5.

Tandy appealed the District Court's decision to the Court of Appeals for the Sixth Circuit which reversed the grant of summary judgment not because there

were any disputed issues of material fact, but rather on the basis that the trial judge failed to give appropriate "presumptive effect" to a Tennessee three-year statute of limitations on actions for injury to personal property. According to the Sixth Circuit, any delay in a trademark infringement action short of the forum state's most analogous limitations period must be "presumed" to be reasonable. Further, a defendant must do more than show the traditional elements of unreasonable delay and prejudice to establish laches and overcome the "strong presumptive effect" ascribed to a forum state's most analogous period of limitation. Additionally, the Sixth Circuit held that laches cannot bar injunctive relief in a trademark case absent "some affirmative conduct in the nature of an estoppel" by the plaintiff. 769 F.2d at 366 n.2.

## STATEMENT OF FACTS

### I. Malone & Hyde's Entry Into The Auto Parts Business And Selection Of The Name AUTO SHACK

Malone & Hyde is a Tennessee corporation headquartered in Memphis, Tennessee, and is engaged in the business of wholesale food distribution and specialty retailing.

In 1977, Malone & Hyde began investigating the retail auto parts industry in anticipation of acquiring an existing retail auto parts business. During 1977 and 1978, Malone & Hyde evaluated several auto parts businesses throughout the country for possible acquisition. Among the companies considered were Checker Auto Parts in Arizona, Parts, Inc. in Tennessee, Nationwide Auto Parts in Ohio, Hi-Lo Stores in Texas, "Crazy Joe" Auto Parts in North Carolina, Fleenor's Auto Parts in Indiana and "Stinger Sam" Auto Parts Stores in Missouri.

In the spring of 1978, an investment consultant for Malone & Hyde brought to its attention Auto Shack, Inc., a highly successful retail auto parts business headquartered in Phoenix, Arizona. Auto Shack, Inc. had operated retail auto parts stores under the trade name Auto Shack in Arizona since at least 1975.

During the late summer and early fall of 1978, Malone & Hyde conducted intensive merger discussions with the president and principal shareholder of Auto Shack, Inc., Albert J. Scavariel, and in September 1978, Malone & Hyde concluded a tentative agreement with him to acquire Auto Shack, Inc. Interest in acquiring this company stemmed from Malone & Hyde's determination that Auto Shack, Inc. was the best-managed retail auto parts operation encountered during its investigation of the industry.

Although in October 1978, Scavariel ultimately decided not to consummate the proposed merger with Malone & Hyde, he indicated that he might be interested in resuming merger discussions at some later date and, in addition, offered to assist in facilitating Malone & Hyde's entry into the auto parts business should it decide to go forward.

Malone & Hyde thereafter abandoned its original plan to enter the industry through acquisition and concentrated on developing its own chain of retail auto parts stores. Scavariel fulfilled his earlier pledge of assistance by introducing Malone & Hyde to his sources of supply and by providing advice about inventory design, store lay-out and other matters. Scavariel also invited Malone & Hyde personnel to work in his company's Auto Shack stores in the Phoenix area to observe his operation firsthand.

It was against this background of close cooperation between the two companies, and of their interest in the possibility of future affiliation, that Scavariel, in January 1979, offered to permit Malone & Hyde to call its new auto parts stores AUTO SHACK, reserving for his own company the exclusive right to use that name in Arizona. Scavariel had never received any complaints concerning his use of the name Auto Shack and was not aware of any objection to that name by anyone, least of all Tandy which had operated a company-owned RADIO SHACK store within 150 feet of one of his Auto Shack stores since 1976.

Prior to Scavariel's offer, Malone & Hyde had considered a number of possible names for its new auto parts venture and had retained outside counsel to research the availability and registrability of each in turn. For example, Malone & Hyde asked outside counsel to investigate the availability and registrability of the names AUTO MART and AUTO WISE, but when informed by counsel that those names already were registered and in use, Malone & Hyde immediately abandoned plans to use those names. Malone & Hyde was particularly enthusiastic about Scavariel's proposal for Malone & Hyde to use the mark AUTO SHACK because it signified Scavariel's continuing interest in a possible future merger with Malone & Hyde. Upon receipt of this offer, Malone & Hyde directed outside trademark counsel to determine the availability and registrability of the mark AUTO SHACK for retail auto parts store services. When this research yielded favorable results, Malone & Hyde accepted Scavariel's offer and resolved that its new auto parts stores would open under the trade name and service mark AUTO SHACK.

**II. Tandy's Unreasonable And Inexcusable Delay**

Malone and Hyde opened its first AUTO SHACK store in July 1979 and Tandy learned about it within a matter of days. The following chronology of Tandy's activities during the next 33 months is based on the uncontroverted deposition testimony of Gary Pack, Tandy's in-house counsel with primary responsibility for trademark protection:

July 1979—Tandy first learned of Malone & Hyde's use of AUTO SHACK.

August 1979—After receiving a photograph of an AUTO SHACK store and after consultation with its outside trademark counsel in Boston, *Tandy decided to sue Malone & Hyde based on its use of AUTO SHACK.* Tandy took no steps to notify Malone & Hyde of its claim of infringement. Tandy began the process of marshalling relevant evidence by ordering a Dun & Bradstreet credit report on Malone & Hyde.

February 1980—Tandy's Law Department received two copies of an article in the January 28, 1980 edition of *Business Week* entitled "Malone & Hyde: a food jobber seeks growth in nonfood retailing." *The article described Malone & Hyde's AUTO SHACK operation and its plans to expand the AUTO SHACK chain to 150 stores by the mid-1980's.* Despite this knowledge of Malone & Hyde's expansion plans and the continued growth of the AUTO SHACK operation, Tandy made no effort to notify Malone & Hyde of its objection to the use of AUTO SHACK.

July 1980—Although Mr. Pack had been in constant contact with outside counsel since August 1979, he did not ask for any "formal study" of the issues relating to the intended lawsuit until July

2, 1980, some eleven months after Tandy had decided to file suit. About that time, Tandy began to study the extent of product overlap between the RADIO SHACK and AUTO SHACK stores. However, no effort was made to ascertain the product mix of the AUTO SHACK stores until over one year later, in September 1981, when Mr. Pack visited several of Malone & Hyde's AUTO SHACK stores in Memphis. Still, Tandy gave no notice to Malone & Hyde.

September 1980—A "formal study" of the issues relating to the intended lawsuit, prepared by Tandy's outside trademark counsel, was received by Tandy. Still Tandy gave no notice to Malone & Hyde.

February 1981—Tandy received a copy of an AUTO SHACK newspaper advertisement, dated February 21, 1981, showing eleven AUTO SHACK stores in the Memphis area as well as photographs showing the exteriors of a number of these stores. Still, Tandy gave no notice to Malone & Hyde.

March 1981—Tandy commenced a study of consumer confusion in Memphis. Tandy also received a copy of the March 1981 edition of a Merrill Lynch publication entitled *Industry Comment* dealing with "modes of creative retailing" which provided financial information about Malone & Hyde and its Auto Shack division. Still, Tandy gave no notice to Malone & Hyde.

July 1981—Some two years after the opening of the first AUTO SHACK store, Tandy received its first reports of "actual confusion" from some of its store managers and other field personnel. In only one of these reported instances of "confusion" was the name or address of the "confused" person obtained. Still, Tandy gave no notice to Malone & Hyde.

August 1981—Mr. Pack met with several RADIO SHACK store managers in Memphis to discuss whether any instances of actual confusion had occurred and instructed these store managers to report any instances of confusion to him. Again, most of the instances of confusion reported to Mr. Pack at this time failed to provide the name and address of the "confused" individual. Tandy also obtained several examples of AUTO SHACK newspaper advertisements. Still, Tandy gave no notice to Malone & Hyde.

September 1981—Mr. Pack met with outside counsel regarding the intended litigation and visited a couple of AUTO SHACK stores. Subsequently, in the early fall of 1981, Tandy received additional reports of purported "actual confusion" in the Memphis area but again without any information as to the identity of the "confused" individuals. Still, Tandy gave no notice to Malone & Hyde.

October 1981—Tandy arranged to have an investigator shop several AUTO SHACK stores in the Memphis area and surreptitiously interview Malone & Hyde's employees. Tandy also obtained a map showing the locations of the RADIO SHACK and AUTO SHACK stores in Little Rock, Arkansas, and consulted with outside counsel. Still, Tandy kept silent and gave no notice of its objection to Malone & Hyde.

November 1981—Some 27 months after deciding to sue Malone & Hyde, a proposed complaint for trademark infringement and unfair competition was prepared by outside counsel and forwarded to Tandy for review. For reasons unknown, it took another four months from the time the complaint was drafted until a cease-and-desist letter was sent to Malone & Hyde on March 9, 1982.

December 1981—Tandy received a copy of Malone & Hyde's Annual Report for 1980.

March 1982—For the first time, Tandy notified Malone & Hyde of its objection to use of the mark AUTO SHACK by sending Malone & Hyde a cease-and-desist letter. By this time Malone & Hyde had opened 60 AUTO SHACK stores in seven states and had spent $1.5 million promoting the mark AUTO SHACK.

April 1982—Tandy authorized outside counsel to file suit on April 1; the complaint was subsequently filed on April 15, 1982.

Tandy has not offered any excuse for failing to give Malone & Hyde notice of its objections or for its delay in filing suit until some 32 months *after* the decision was made to sue. The only comment Tandy offered in this regard was that the entire 32-month period following the decision to file suit was needed to get its "facts straight" and its "ducks in a row."

### III. Malone & Hyde's Prejudicial Change Of Position During The Period Of Tandy's Delay

As of the time Tandy decided to sue Malone & Hyde for trademark infringement—August 1979—Malone & Hyde had opened only five AUTO SHACK stores and had spent approximately $25,000 promoting the mark AUTO SHACK through advertising, signage and store decor. If Tandy had voiced its objection in August 1979, Malone & Hyde could have abandoned the mark AUTO SHACK immediately along with its modest investment in the mark, and would have done so in

order to avoid the far greater expense of protracted trademark infringement litigation. Malone & Hyde had opened 55 more AUTO SHACK stores throughout the seven-state region of Alabama, Arkansas, Kentucky, Mississippi, Missouri, Tennessee and Texas and had increased its promotional investment in the mark AUTO SHACK by $1.5 million before Tandy finally notified Malone & Hyde of its objection to use of the mark in March 1982.

## REASONS FOR GRANTING CERTIORARI

### I. Introduction

The affirmative defense of laches in a trademark infringement action requires proof of two elements:

(1) The plaintiff's delay in voicing an objection to the allegedly infringing use must be unreasonable or inexcusable; and

(2) The defendant would be prejudiced if the plaintiff were permitted to assert its trademark rights after such an unreasonable or inexcusable delay.

*See e.g., Citibank, N.A.* v. *Citibanc Group, Inc.*, 724 F. 2d 1540, 1546 (11th Cir. 1984); *Armco, Inc.* v. *Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155, 1161 (5th Cir. 1982); *Cuban Cigar Brands N.V.* v. *Upmann International, Inc.*, 457 F. Supp. 1090, 1096 (S.D.N.Y. 1978), *aff'd*, 607 F.2d 995 (2d Cir. 1979). The test for determining laches is flexibile: "the court must examine both the amount of delay and the prejudice caused by that delay." *Citibank, N.A.* v. *Citibanc Group, Inc., supra*, 724 F.2d at 1546.

The Sixth Circuit's decision radically alters the equitable defense of laches by prescribing specific and different criteria for determining whether "legal"/monetary or "equitable"/injunctive relief should be barred in a trademark infringement case. According to its decision, there is a "strong presumption" that laches will not bar a "legal" claim for damages in a Lanham Act case if the plaintiff's delay comes within a forum state's analogous statute of limitations. Thus, in a trademark infringement action, "if the analogous statute of limitation has not elapsed, there is a strong presumption that plaintiff's delay in bringing the suit for monetary relief is reasonable." 769 F.2d at 366.

The Sixth Circuit acknowledged that, in a "purely equitable" context, the correct standard for determining whether relief is barred by laches "may be the somewhat more general and discretionary standard of determining only unreasonable delay and prejudice to the defendant." 769 F.2d at 366 n.2. But before laches will preclude an injunction in a trademark infringement action, the Sixth Circuit required a further showing of some affirmative conduct in the nature of an estoppel. *Id.*[1]

As discussed more fully below, the Sixth Circuit's redefinition of the specific elements of laches in terms of legal and equitable remedies is fundamentally in conflict with the policy and remedial scheme of the Lanham Act and is inconsistent with established precedent in other circuits.

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[1] The alternate requirement of "conduct amounting to 'virtual abandonment'" is not relevant here.

The Sixth Circuit's bifurcated treatment of the laches defense in this case frustrates important policy of uniform federal protection of trademark rights and introduces unwarranted elements of uncertainty and happenstance into the resolution of infringement claims. By requiring trial courts to give "presumptive effect" to forum states' statutes of limitations, the Sixth Circuit would permit the availability of laches in an infringement action under the Lanham Act to be determined based on the place where the case is tried. For example, if Tandy, a Delaware corporation headquartered in Texas, had filed suit against Malone & Hyde in Texas,[2] or if Malone & Hyde had filed a declaratory judgment action against Tandy in Texas after receiving a cease-and-desist demand, Tandy would be presumptively guilty of laches under the Sixth Circuit's rationale because the Texas statute of limitations for injury to personal property is two years. Sec. 16.003(a) Texas Civil Practice & Remedies Code (1985) (recodified from former Title 91, Art. 5526). The same result would obtain if this action were tried in Ohio, a Sixth Circuit state, where the statute of limitations for injury to personal property also is two years. Ohio Rev. Code Ann. § 2305.10 (Page 1984 Supp.). This geographically divergent result encourages forum shopping and the filing of suit without prior demand or negotiation. The result is more, not less, litigation with the availability of laches determined by forum selection rather than neutral principles of law or the equities in a particular case.

Moreover, by measuring the reasonableness of the plaintiff's delay against the presumptive effect of the forum states' statutes of limitations rather than con-

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[2] Malone & Hyde was operating AUTO SHACK stores in Texas in April 1982 when this action was filed and thus was amenable to suit in Texas.

sidering the equities of each case, the Sixth Circuit sanctions the wait-and-watch policy condemned long ago in *Valvoline Oil Co.* v. *Havoline Oil Co.*, 211 F. 189, 195 (S.D.N.Y. 1913):

> [I]t cannot be equitable for a well-informed merchant with knowledge of a claimed invasion of right, to wait to see how successful his competitor will be and then destroy with the aid of a court decree, much that the competitor has striven for and accomplished—especially in a case where the most that can be said is that the trade-mark infringement is a genuinely debatable question.

In *Valvoline,* the court recognized that "[m]en can build up new businesses these days in a period of time which would have seemed amazingly short years ago." 211 F. at 194. The speed at which businesses can develop has increased since 1913. Likewise the requirement that a well-informed and capable merchant act promptly to protect a claimed invasion of rights is of increasing importance.

Finally, an inevitable consequence of the Sixth Circuit's decision is to restrict the trial courts' discretion to dispose of appropriate cases on the basis of laches by summary adjudication. The decision below will result not only in more but also more prolonged litigation of stale infringement claims.

**II. Certiorari Should Be Granted To Determine Whether The Trial Court's Discretion To Deny Monetary Relief In A Trademark Infringement Action Under The Lanham Act On The Ground Of Laches Should Be Restricted By A "Laches-Plus" Test Mandating Mechanical Reference To Forum States' Statutes Of Limitations**

**A. Sixth Circuit's "Laches-Plus" Rationale**

In reversing the District Court's dismissal of Tandy's trademark infringement claim against Malone & Hyde

under the equitable defense of laches, the Sixth Circuit held that the defense of laches in a trademark case must give "presumptive effect" to the forum state's analogous statute of limitations. The Sixth Circuit's view of the appropriate role for a forum state's statute of limitations is based on the premise that trademark infringement cases "are not 'purely equitable' suits" but instead are "mixed actions in law and equity." 769 F.2d at 366. This premise led the Sixth Circuit into separate treatment of the laches defense based on a perceived "legal"/monetary and "equitable"/injunctive distinction. The Sixth Circuit cited *Dairy Queen* v. *Wood,* 369 U.S. 469 (1962),[3] as authority for its construction of a "legal/equitable" dichotomy for application of the equitable defense of laches under the Lanham Act. However, the constitutional right to trial by jury does not mean that the express equitable nature of relief under the Lanham Act should be cleaved into "legal" and "equitable" portions for the purpose of analyzing a laches defense.

On the "legal" side of the Sixth Circuit's "legal/equitable" dichotomy, the trial courts are instructed to give "presumptive effect" to the forum states' statutes of limitations. If that statutory period has not run, there is a "strong presumption" that the delay has been reasonable. The Sixth Circuit's standard provides that "[t]he standard requiring only unreasonable delay and prejudice to the defendant . . . *should not be used* when the plaintiff brings an action prior to expiration of a presumptively effective statute of limitation." 769

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[3] In *Dairy Queen,* this Court held that a defendant had a right to a trial by jury in a suit by a franchisor seeking a money judgment against a former franchisee for breach of contract and trademark infringement.

F.2d at 366 n.1 (emphasis added). According to the Sixth Circuit, in order "[t]o set aside the presumptive period, a [trial] court must articulate compelling reasons," and the defendant must satisfy a standard that exceeds the traditional elements of laches. *Id.* at 366 and n.1.

**B. "Laches-Plus" Impermissibly Limits Discretion**

This *"Laches-Plus"* rationale, on the so-called "legal" side of the equitable defense of laches, restricts the traditional discretionary role of the trial court in ruling on a laches defense. The Sixth Circuit's approach, in its view, has the supposed advantage of enhancing "stability and clarity of the law by applying the neutral rules and principles in an evenhanded fashion *rather than making the question purely discretionary.*" *Id.* at 365 (emphasis added). However, the mandate that "strong presumptive effect" be given to the forum states' periods of limitations is a direct restriction on the traditional exercise of the trial courts' equity powers and frustrates the purposes of the Lanham Act.

The "principles of equity", which control the remedial provisions of §§ 34(a) and 35(a) of the Lanham Act, have always distrusted statutes of limitations, because "[t]hey are by definition arbitrary, and their operation does not discriminate between the just and the unjust claim, or the avoidable and unavoidable delay." *Chase Securities Corp.* v. *Donaldson,* 325 U.S. 304, 314 (1945). Statutes of limitations represent "expedients, rather than principles." *Id.* As Mr. Justice Frankfurter observed forty years ago:

> Equity eschews mechanical rules: it depends on flexibility. Equity has acted on the principle that *'laches is not like limitation,* a mere matter of time; but principally a question of the inequity of permitting the claim to be enforced—an in-

> equity founded upon some change in the condition or relations of the property or the parties.'

*Holmberg* v. *Armbrecht,* 327 U.S. 392, 396 (1946) (citations omitted) (emphasis supplied). Thus, "[t]raditionally and for good reasons, *statutes of limitation are not controlling* measures of equitable relief." *Id.* (emphasis added). They are to be "drawn upon by equity solely for the light they may shed in determining that which is decisive for the chancellor's intervention, namely, whether the plaintiff has inexcusably slept on his rights so as to make a decree against the defendant unfair." *Id. Accord Czaplicki* v. *The Hoegh Silvercloud,* 351 U.S. 525, 533 (1956); *Gardner* v. *Panama Railroad Co.,* 342 U.S. 29, 30-31 (1951) ("the existence of laches is a question primarily addressed to the discretion of the trial court [and] . . . *should not be determined merely by reference to and a mechanical application of the statute of limitations*") (emphasis supplied).

### C. "Laches-Plus" Sanctions Delay

The mechanical nature of the Sixth Circuit's treatment of the laches defense on the "legal" side of its equation is obvious when tested at the extreme. If plaintiff files a trademark infringement suit on the last day of a forum state's analogous period of limitations, it would be entitled to the Sixth Circuit's "strong presumptive effect" without regard to the reasons for the delay or the length of the limitation period. In that situation, the defendant would be required to satisfy the unspecified, more rigorous, "Laches-Plus" standard in order to overcome the "presumptive period." However, the passage of one more day radically alters the standard proffered by the Sixth Circuit on the "legal" side of its dichotomy. If plaintiff files suit the day after the analogous period of limitations runs, there would

not be a "strong presumption" of reasonable delay, and the defendant is then merely held to the traditional standard of showing unreasonable delay and prejudice. The practical effect of this "Laches-Plus" standard sanctions the very wait-and-watch conduct that produces the prejudice that traditionally has barred all relief in trademark infringement actions except in cases involving deliberate copying and palming off.

### D. "Laches-Plus" Fails To Promote Uniformity

The objectivity and evenhandedness sought by the Sixth Circuit's "Laches-Plus" reference to the forum states' statutes of limitations is lost by that same reference. Within the states comprising the Sixth Circuit, the statutory periods of limitations for claims for injury to personal property are three years in Tennessee and Michigan, five years in Kentucky, and two years in Ohio. Within the seven-state market served by Malone & Hyde's AUTO SHACK stores when Tandy filed suit, the statutory periods of limitations for injury to personal property varied from two years in Texas to six years in Alabama and Mississippi. This disparity among the states' limitations periods obviously invites forum shopping.

### E. "Laches-Plus" Abrogates Judicial Duty

The Sixth Circuit's concern with "presumptive effects" and "strong presumptive effects", derived from the forum state's statutes of limitations, demonstrates how far that Court has strayed from its principal obligation as a federal court to consider whether reference to the states' periods of limitations fosters or conflicts with the policies underlying the Lanham Act. Here, as in *Holmberg* v. *Armbrecht, supra,* 327 U.S. at 395, the federal courts are called upon to decide

federally created rights which specify that relief shall be equitable in nature. The Lanham Act contains an explicit directive that *all* claims for monetary and injunctive relief are to be determined subject to "the principles of equity." 15 U.S.C. §§ 1116(a) and 1117 (a). In such cases, the federal courts "have a duty . . ., sitting as national courts throughout the country, to apply their own principles in enforcing an equitable right created by Congress." *Holmberg* v. *Armbrecht, supra,* 327 U.S. at 395. In *Occidental Life Insurance Co. of California* v. *Equal Employment Opportunity Commission,* 432 U.S. 355, 367 (1977), this Court noted that:

> State legislatures do not devise their limitations periods with national interests in mind, and it is the duty of the federal courts to assure that the importation of state law will not frustrate or interfere with the implementation of national policies.

The express directive by Congress that relief under the Lanham Act is to be subject to "the principles of equity" is not mere silence on the matter of limitations, but rather is expressive of a contrary policy.

The Sixth Circuit's characterization of the "legal/equitable" dichotomy in a trademark infringement action provides its point of departure from the teachings of *Holmberg* v. *Armbrecht,* but does nothing for critical analysis of whether the application of a borrowed state statute of limitations would be consistent with the federal policies underlying the Lanham Act. *See also DelCostello* v. *Teamsters,* 462 U.S. 151, 160-61 n.13 (1983), rejecting mandatory application of state law in "federal interstices."

**F. "Laches-Plus": Quantum Of Proof Or Preclusion?**

Inescapable evidence that the borrowing of forum states' statutes of limitations fails to promote the

analytical clarity craved by the Sixth Circuit is found in that Court's struggle with the anomalous situation of admitting the existence of the equitable defense of laches on the "legal" side of its dichotomy. The Sixth Circuit attempts to solve this anomaly by ascribing a "strong presumptive effect" to its new "Laches-Plus" standard. The hollowness of the Sixth Circuit's analysis is seen when one recalls that the effect of a "presumption", as that term traditionally has been used by the courts, "is merely to invoke a rule compelling the [factfinder] to reach a conclusion *in the absence of evidence to the contrary.*" 9 *Wigmore on Evidence* § 2491 (emphasis in original). *See also* Rule 301, Federal Rules of Evidence. In other words, a presumption is a device to allocate the burden of proof on a particular issue. It may make sense in a laches case to say that a delay longer than an analogous limitations period is "presumptively" unreasonable because that formulation merely shifts the burden and requires the plaintiff to come forward with evidence that its delay was reasonable. However, the corollary is not acceptable to the Sixth Circuit.

The Sixth Circuit's application of "Laches-Plus" either (1) changes the traditional role of a presumption from burden allocation to conclusive finding or (2) mandates that state law prescribe the quantum of proof. The Sixth Circuit acknowledged the traditional burden-shifting role of presumptions but concluded that the presumption derived from reference to the forum states' statutes of limitations "should remain *strong* and *uneroded* in trademark cases." 769 F.2d at 365 (emphasis supplied). This statement illustrates the Sixth Circuit's misuse of presumptions. Presumptions control a legal conclusion unless overcome by evidence to the contrary. The Sixth Circuit failed to address the

quantum of proof needed to overcome ordinary, much less "strong," presumptions and stated no compelling reason why federal courts should look to state law to answer simple evidentiary questions.

The effect of the Sixth Circuit's decision is to constrain the trial judge's exercise of discretion in an area that traditionally has been discretionary in favor of a mechanical rule requiring the trial judge to defer and give "strong presumptive effect" to local customs rather than looking to the equities in a given case within the context of national commerce.

### G. "Laches-Plus" Ignores Policy Differences Between Patents And Trademarks

The Sixth Circuit's reliance on the patent case of *TWM Manufacturing Co., Inc.* v. *Dura Corp.*, 592 F.2d 346 (6th Cir. 1979), to buttress its view that the laches defense in a trademark case *must* have reference to some fixed period ignores the statutory distinctions between the Patent Act and the Lanham Act and their underlying national policy objectives.

Patents may be secured only by grant from the U.S. Patent and Trademark Office and are limited to a term of seventeen years. 35 U.S.C. § 154 (1976). Regarding damages, 35 U.S.C. § 286 (1976) provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." Courts have used this express statutory limitation on recovery of damages to establish the principle in patent cases that a six-year delay in filing suit after notice of infringement creates a presumption of laches and prejudice to the defendant. Since the patent term is only seventeen years, both the requirement of affirmative

conduct by the plaintiff to bar prospective relief, and the limited effect of laches in patent cases as a bar only to recovery for past infringement, have developed to counterbalance the brief duration of the patent itself as well as the statutory limitation on recovery. However, trademark rights may be acquired by use of the mark, are enforceable for as long as the mark is used and have no analogous federal statutory limitation on recovery for infringement.

Valuable trademark rights are established through use and become stronger the longer the mark is used because use results in greater consumer awareness of the mark. By contrast, one who manufactures a patented device without the permission of the patent owner never establishes patent rights in the invention. When a patent owner delays unreasonably in asserting his rights, he may be denied past damages but he should not be denied an injunction precluding the infringer from manufacturing the patented device unless the owner's conduct has amounted to an implied consent. A trademark owner who delays unreasonably is in a different position: the alleged infringer has developed rights in the mark of which it would be inequitable to deprive him. To force the defendant to change its mark which was adopted without any intent to trade on the plaintiff's goodwill is inequitable where the result would not be the replacement of a few signs but the wholesale destruction of the goodwill and substantial reputation which has been built up around the mark during the period of the plaintiff's inexcusable delay. Herein lies the justification for refusing injunctive relief where a defendant has established the defense of laches in a trademark case.

### H. "Laches-Plus" Is Blind To Good Faith

The Sixth Circuit's reformulation of the laches defense purports to derive from *Layton Pure Food Co.* v. *Church & Dwight Co.*, 182 F. 35 (8th Cir. 1910). However, *Layton* involved identical marks used on identical products and the plaintiff *gave prompt notice* shortly after it first learned of defendant's use of the mark. *Id.* at 39-40. The *Layton* case comes within the proviso that laches will not bar relief where the junior user is engaged in deliberate palming off or intentional appropriation of the senior user's mark. The Sixth Circuit's treatment of the laches defense fails to recognize the traditional distinctions between a case of deliberate infringement and the situation where a new business entity has adopted a different but allegedly infringing mark in good faith, has undertaken to serve a different market and "where the most that can be said is that trade-mark infringement is a genuinely debatable question." *Valvoline Oil Co.* v. *Havoline Oil Co., supra,* 211 F. at 195. In the latter case, a plaintiff's interests are different and weaker than in the case of intentional infringement. *Accord Dwinell-Wright Co.* v. *White House Milk Co.*, 132 F.2d 822, 824-25 (2d Cir. 1943).

### I. Conclusion

While it may be difficult to reconcile all of the trademark cases involving the defenses of laches, the Sixth Circuit's "Laches-Plus" approach has not been followed in other circuits. The articulated standard for establishing laches uniformly has been limited to showing "unreasonable delay and prejudice to the defendant" in light of all the circumstances of a particular case. Those cases that afford injunctive relief notwithstanding a delay that bars monetary ("legal") relief turn on the defendant's deliberate appropriation of

the plaintiff's mark. *See United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918). This equitable approach recognizes, as did the District Court, that a defendant's investment in development of goodwill requires the well-informed plaintiff to *at least give notice* of his claim when, as here, he possesses positive knowledge of the defendant's investment in and promotion of the allegedly infringing mark, as well as knowledge of the defendant's expansion plans.

In contrast, under the Sixth Circuit's "Laches-Plus" doctrine, the well-informed plaintiff has no duty to give notice of any sort to a defendant so long as he files suit before the running of an analogous limitations period in a forum state of his choice. This rule does not support either the stability of business or the principles of equity.

**III. Certiorari Should Be Granted To Determine Whether The Trial Courts' Discretion To Deny Injunctive Relief In A Trademark Infringement Action Under the Lanham Act On The Ground Of Laches Should Be Restricted By A Requirement To Find Affirmative Conduct In The Nature Of An Estoppel**

At the heart of the Sixth Circuit's decision is the redefinition of the delay element of laches in terms of the analogous state statute of limitations. Although Tandy's delay was within the three-year period provided by Tenn. Code Ann. § 28-3-105 (1980) and therefore presumptively reasonable under that Court's theory, the Sixth Circuit also held that if laches had been established, injunctive relief would not be barred unless Tandy had committed "some affirmative conduct in the nature of an estoppel. . . ." 769 F.2d at 366 n.2.[4] As discussed below, this requirement of "some

[4] The Court of Appeals found that Tandy's conduct did not meet this requirement and therefore held that the District Court erred in concluding that laches barred injunctive relief. *Id.*

affirmative conduct" by the plaintiff in a trademark infringement action is not supported by *James Burrough Ltd.* v. *Sign of the Beefeater, Inc.*, 572 F.2d 574 (7th Cir. 1978), the only case cited by the Sixth Circuit for this proposition, and is inconsistent with decisions in other circuits.

Moreover, the requirement that the trial court *cannot* deny injunctive relief without finding such "affirmative conduct" adds a new element which unduly restricts the traditional broad discretion afforded trial courts under the principles of equity.

The Sixth Circuit states:

> In the context of purely equitable relief, the correct standard may be the somewhat more general and discretionary standard of determining only unreasonable delay and prejudice to the defendant. [citation omitted]. To deny injunctive relief in trademark litigation, however, some affirmative conduct in the nature of an estoppel, *see, e.g., James Burrough Ltd.* v. *Sign of Beefeater, Inc.*, 572 F.2d 574, 578-79, (7th Cir. 1978) . . . is necessary.

769 F.2d at 366 n.2.

In *James Burrough Ltd.*, the Seventh Circuit denied injunctive relief on the ground that there was no estoppel, citing *Lebold* v. *Inland Steel Co.*, 125 F.2d 369, 375 (7th Cir. 1941), *cert. denied* 316 U.S. 675 (1942). *Lebold*, which involved a minority stockholder claim for damages resulting from fraudulent acts by majority stockholders, defined estoppel as arising from affirmative conduct (i.e., inducement) *or silent acquiescence:*

> Estoppel arises only when one has so acted as to mislead another and the one thus misled has relied upon the action of the inducing party to his preju-

> dice. Shortly stated, one may not assume a position inconsistent with a former position to the prejudice of his adversary. . . . It is the injury accruing from inducement *or silent acquiescence* which creates the estoppel.

125 F.2d at 375 (citations omitted; emphasis added). Tandy's silent monitoring of Malone & Hyde's expansion of its AUTO SHACK chain for a period of 32 months after having decided to file suit is the type of silent acquiescence which gives rise to estoppel. Such delay under these circumstances "invites reasonable reliance by strengthening the defendant's belief that its use of a trademark will not be challenged." *National Association for the Advancement of Colored People* v. *N.A.A.C.P. Legal Defense & Educational Fund, Inc., supra,* 753 F.2d at 138.

The Sixth Circuit's reliance on *James Burrough Ltd.* for the proposition that some affirmative conduct is necessary in order to bar injunctive relief is misplaced. Nowhere does *James Burrough Ltd.* state that proposition. Rather, the Seventh Circuit stated:

> By reason of laches, a plaintiff in a trademark infringement action may lose the right to recover damages or wrongfully derived profits during the period prior to the filing of suit. Upon a showing of infringement, however, the plaintiff *may* still be entitled to injunctive relief, *McLean* v. *Fleming,* 96 U.S. 245, 24 L.Ed. 828 (1877), and to damages and profits for the period subsequent to the filing of suit.

572 F.2d at 578 (emphasis added). Clearly, this statement does not provide any guidance whatsoever as to what is or is not required in order to grant or deny injunctive relief, only that a plaintiff *may* still be entitled to such relief despite a showing of laches. *McLean* v. *Fleming,* cited by the Seventh Circuit,

similarly holds that laches *might* not bar injunctive relief in appropriate cases.

What is an appropriate case was determined by the Supreme Court in *United Drug Co.* v. *Theodore Rectanus Co., supra,* 248 U.S. at 102 (emphasis added):

> [The *McLean* decision] exempli[fies] the rule that, *where the proof of infringement is clear,* a court of equity will not ordinarily refuse an injunction for the future protection of the proprietor of a trade-mark right, even where his acquiescence and laches have been such as to disentitle him to an accounting for the past profits of the infringer. *The rule finds appropriate application in cases of conscious infringement or fraudulent imitation, as is apparent from a reading of* [*McLean*].

*See also La Republique Francaise* v. *Saratoga Vichy Spring Co.,* 191 U.S. 427, 436-37 (1903).

Thus, *United Drug Co.* and *La Republique Francaise* clarify the holding in *McLean* v. *Fleming* that laches *might* not bar injunctive relief by allowing injunctive relief in cases involving fraudulent imitation or conscious infringement. *See Prudential Ins. Co. of America* v. *Gibraltar Financial Corp. of California,* 694 F.2d 1150, 1152 (9th Cir. 1982); *Skippy, Inc.* v. *CPC International, Inc.,* 674 F.2d 209, 212 (4th Cir.) *cert. denied* 459 U.S. 969 (1982); *Saratoga Vichy Spring Co., Inc.* v. *Lehman,* 625 F.2d 1037 (2d Cir. 1980); *Safeway Stores, Inc.* v. *Safeway Quality Foods, Inc.,* 433 F.2d 99, 103 (9th Cir. 1970). The precluding effect of laches with regard to injunctive relief turns not on the presence or absence of some affirmative conduct by the plaintiff, but on whether the defendant is guilty of fraudulent, conscious or intentional infringement.

The question of what must be shown before laches will preclude injunctive relief in a trademark infringement action was more recently addressed in *National*

*Association for the Advancement of Colored People* v. *N.A.A.C.P. Legal Defense & Educational Fund, Inc.*, *supra*, 753 F.2d at 137-38 (footnotes omitted):

> Laches may bar injunctive relief when the defendant has established a substantial reliance interest .... It is true that 'mere delay' by itself does not bar injunctive relief if the defendant did not invest resources that contribute to a trademark's future value. But injunctive relief may be appropriately barred when the defendant invested substantial labor and capital that builds the trademark's goodwill. This future property interest, resulting from reliance during the plaintiff's negligent delay, therefore prevents the enjoining of the defendant's continued use of the trademark.

*Accord E-Systems, Inc.* v. *Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983) (injunctive relief barred because "[i]n the years from 1970 on [i.e., plaintiff's delay] Monitek [defendant] incurred substantial advertising expenditures and rapidly expanded its business."); *Fruit Industries* v. *Bisceglia Bros. Corp.*, 101 F.2d 752, 754-755 (3d Cir. 1939) (injunctive relief barred when a "junior user, who has built up his business in good faith, will be injured by enforcement of the senior user's rights . . ." and a "senior user, with notice of the infringement delays for an unreasonable time in asserting his rights.")

The substantial reliance interest of the defendant has been specifically relied upon in a number of cases. Recently, the Second Circuit, in denying injunctive relief on the ground of laches, recognized that "the owner's delay in asserting his rights may lead the defendant to build innocently an important reliance on the publicity of his mark, so that its loss would cost dearly." *Chandon Champagne Corp.* v. *San Marino Wine Corp.*, 335 F.2d 531, 535 (2d Cir. 1964). Thus,

where the defendant has developed substantial goodwill and established its reputation under a mark as a result of reliance on the plaintiff's inexcusable delay in making known its objection, laches frequently has been found to preclude all relief, including an injunction, since under these circumstances, the balance of the equities favors the defendant. *Robinson Co.* v. *Plastics Research and Development Corp.*, 264 F. Supp. 852, 865 (W.D. Ark. 1967); *Valvoline Oil Co.* v. *Havoline Oil Co., supra,* 211 F. at 195.

The Sixth Circuit's decision requiring a finding of affirmative conduct on the part of Tandy in order for laches to bar injunctive relief is fundamentally inconsistent with the decisions of this Court and other circuit courts which require a showing of fraudulent imitation or conscious infringement. Moreover, the Sixth Circuit's decision is inconsistent with the more recent decisions of the Third, Ninth and District of Columbia Circuits which focus heavily on the defendants' investment and expansion under the allegedly infringing marks. These clearly divergent positions as to what, as a matter of law, is required before laches will bar injunctive relief in a trademark infringement action require resolution by this Court in order to achieve uniform application of the key remedial provisions of §§ 34(a) and 35(a) of the Lanham Act.

## CONCLUSION

For the foregoing reasons, Malone & Hyde repectfully requests that this Court grant the Writ of Certiorari.

Respectfully submitted,

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# APPENDIX

# APPENDIX A

## UNITED STATES COURT OF APPEALS, SIXTH CIRCUIT

**No. 84-5277**

TANDY CORPORATION,
Plaintiff-Appellant,

v.

MALONE & HYDE, INC.,
Defendant-Appellee.

Decided July 31, 1985

Argued April 9, 1985

Before MERRITT and CONTIE, Circuit Judges, and KINNEARY,* District Judge.

MERRITT, Circuit Judge.

In this trademark infringement appeal concerning the legal standards applicable to the equitable defense of laches, plaintiff Tandy claims that defendant Malone and Hyde's use of the trademark "AUTO SHACK" infringes Tandy's marks "RADIO SHACK," "THE SHACK," and "SHACK." The District Court granted Malone and Hyde's summary judgment motion on the basis of laches without reaching the merits and barred both injunctive and monetary relief. The District Court barred on grounds of unreasonable delay plaintiff's action brought 32 months after it arose. The Court gave no deference or presumptive effect to the three-year statute of limitations which would be applicable if the action were characterized as

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* The Honorable Joseph P. Kinneary, Judge, United States District Court for the Southern District of Ohio, sitting by designation.

one at law instead of in equity. Because the Court erred in failing to give presumptive effect to the three-year legal limitations period, we reverse and remand for further proceedings.

I.

In 1977, defendant Malone and Hyde, a wholesale and retail grocer, considered going into the retail auto parts business through acquisition of an existing chain of stores. Defendant negotiated with Mr. Scavariel, owner of several stores in Phoenix, Arizona, operating under the name "Auto Shack, Inc." After unsuccessful acquisition negotiations, defendant decided to enter the auto parts business by starting a new operation. Scaveriel helped defendant in this process by providing information on supplier networks, marketing techniques, inventory design, and management. Scavariel then gave defendant permission to use the name AUTO SHACK in areas outside Arizona.

Malone and Hyde opened its first AUTO SHACK store in July 1979. By August it had opened five AUTO SHACK stores and had spent approximately $25,000 in promoting the name. By March 1982 it had opened 55 AUTO SHACK stores and had spent approximately $1.5 million promoting the name.

Plaintiff learned of defendant's use of the AUTO SHACK mark in July 1979 when defendant opened its first store. From that point Tandy began to document instances of public confusion. In March 1982 Tandy notified Malone and Hyde of its objections to the mark AUTO SHACK. Tandy filed suit against Malone and Hyde in April 1982.

The District Court held that Tandy's 32-month delay in notifying Malone and Hyde of its objections to the AUTO SHACK mark was "inexcusable and unreasonable," and that the delay had substantially prejudiced Malone and Hyde. 581 F.Supp. 1124 at 1128. The District

Court therefore granted summary judgment on the basis of laches. The Court then analyzed whether laches should bar injunctive as well as monetary relief and determined that "the interests and equities of the parties and the public" required a denial of all relief. 581 F.Supp. at 1131. The District Court's opinion does not refer to the three-year Tennessee statute for tortious injury to property, Tenn.Code Ann. § 28-3-105 (1980), which the parties appear to agree is the applicable state limitation statute.

The District Court, in applying the doctrine of laches, erred in failing to give the appropriate presumptive effect to Tennessee's three-year limitations period. A brief review of the equitable doctrine of laches and the common law history of trademark litigation is helpful in order to put the issue before us in perspective.

## II.

The substantive and remedial doctrines of trademark law draw upon legal principles developed both at law and in equity. Although trademark litigation began as early as the 1600's, the law of trademarks did not undergo significant development until the nineteenth century, when the increasing use of trademarks to symbolize and market products created the need for defining and protecting owners' rights. *See* F. Schechter, *The Historical Foundations of the Law Relating to Trademarks* 122-45 (1925).

Both equity and law courts decided trademark cases in England during the early stages of trademark development, but equitable principles seem to have dominated that process because injunctive relief was generally considered the first and most effective step for courts to take in redressing a trademark infringement. *Id.* American courts also stressed equitable relief and principles in their responses to trademark disputes. *See, e.g., Hanover Star Milling Co. v. Allen & Wheeler Co.*, 208 F. 513, 516 (7th Cir.1913). Thus, prior to statutory protection for trade-

marks, courts determined rights and liabilities primarily on the basis of equitable theory. They treated the damages portion of such suits as an equitable action in the nature of an accounting. Consistent with this history of trademark law, § 34 of the Lanham Act of 1946 allows for injunctive relief "according to the principles of equity," 15 U.S.C. § 1116 (1982), and § 35 allows monetary relief "subject to the principles of equity," *id.*, § 1117.

Despite this pervasive equity background, the damages or accounting aspect of trademark infringement actions are considered legal actions for purposes of the jury trial clause of the Seventh Amendment. In *Dairy Queen v. Wood,* 369 U.S. 469, 82 S.Ct. 894, 8 L.Ed.2d 44 (1962), the Supreme Court held that a litigant has a right to a jury trial in an infringement action for money damages on the theory that "an adequate remedy at law" is available. 369 U.S. at 478, 82 S.Ct. at 900. Thus infringement actions are hybrids, a mixture of law and equity.

The Lanham Act does not contain a statute of limitations. In determining when a plaintiff's suit should be barred under the Act, courts have consistently used principles of laches as developed by courts of equity. *See, e.g., Saratoga Vichy Spring Co., Inc. v. Lehman,* 625 F.2d 1037, 1040 (2d Cir.1980); *Polaroid Corp. v. Polaroid Electronics Corp.,* 287 F.2d 492 (2d Cir.), *cert. denied,* 368 U.S. 820, 82 S.Ct. 36, 7 L.Ed.2d 25 (1961).

Under equitable principles the statute of limitations applicable to analogous actions at law is used to create a "presumption of laches." This principle "presumes" that an action is barred if not brought within the period of the statute of limitations and is alive if brought within the period. *See* Note, *Developments in the Law—Statutes of Limitations,* 64 HARV.L.REV. 1177, 1184 (1950). *See also DeSilvio v. Prudential Lines, Inc.,* 701 F.2d 13 (2d Cir. 1983) (a determination of laches in admiralty must in-

clude reference to the analogous statute of limitations); *Goodman v. McDonnell Douglas Corp.*, 606 F.2d 800 (8th Cir.1979), *cert. denied* 446 U.S. 913, 100 S.Ct. 1844, 64 L.Ed.2d 267 (1980) (analo[illegible]us statute of limitations is "important consideration" [illegible] action under Veterans' Reemployment Rights Act). *See also Reconstruction Finance Corp. v. Harrisons & Crosfield*, 204 F.2d 366, 370 (2d Cir.), *cert. denied* 346 U.S. 854, 74 S.Ct. 69, 98 L.Ed. 368 (1953) (petition for order permanently enjoining defendant from arbitrating a claim against plaintiff); *Shell v. Strong*, 151 F.2d 909 (10th Cir.1945) (action for specific performance of a contract). We have recently followed this so-called "presumption" or general principle on a similar issue in the patent context. *See TWM Manufacturing Co. v. Dura Co.*, 592 F.2d 346, 348 (6th Cir.1979) (applicable legal limitations period is the normal period to be used for laches.)

The general principle outlined in *TWM* and other laches cases provides that, in the absence of unusual circumstances, a suit will not be barred before the analogous statute has run but will be barred after the statutory time has run.

This principle has been applied in trademark cases. *Layton Pure Food Co. v. Church & Dwight*, 182 F. 35, 40 (8th Cir. 1910) (except under "unusual conditions or extraordinary circumstances," a federal court applying a limitation statute by analogy will not bar damages remedy in a trademark infringement action if the analogous statute of limitation would not bar the action).

Several reasons underlie the use of the statutory period as the laches period. It enhances the stability and clarity of the law by applying neutral rules and principles in an evenhanded fashion rather than making the question purely discretionary. It also requires courts to make clear distinctions between threshold or special defenses or pleas in bar and the merits of the case. It enhances the rationality and objectivity of the process by preventing courts

from short circuiting difficult issues on the merits by confusing or conflating the merits of an action with other defenses.

Although early federal decisions faithfully followed the presumption, later decisions outside the trademark area have somewhat eroded the requirement that only "extraordinary circumstances or unusual conditions" defeat the presumption favoring the statutory limitations period. *See, e.g., Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1259 and n. 8 (3d Cir.1974) (effect of the analogous statute of limitation on a claim in equity is only burden-shifting). Some courts recently have looked at the analogous statute as simply one factor to be weighed in a determination of unreasonable delay and prejudice. *See Goodman v. McDonnell Douglas Corp.*, 606 F.2d 800, 805 (8th Cir.1979), *cert. denied* 446 U.S. 913, 100 S.Ct. 1844, 64 L.Ed.2d 267 (1980). Some courts in ruling on purely equitable claims have analyzed the effect of the analogous state limitation both before and after it has elapsed, and have concluded that unreasonable prejudicial conduct short of the limitation can bar the equitable claim. *See, e.g., Cannon v. University Health Sciences/Chicago Medical School*, 710 F.2d 351 (7th Cir.1983) (on claim for injunctive relief arising under 42 U.S.C. § 1983, laches can shorten the applicable time under the state limitation statute); *Gruca v. United States Steel Corp.*, 495 F.2d 1252, 1259 n. 8 (3d Cir.1974) (reference to an analogous statute of limitation "does not determine the minimum limit of the delay necessary to invoke the first element of the laches doctrine.")

The presumption should remain strong and uneroded in trademark cases. They are not "purely equitable" suits, as the Supreme Court noted in *Dairy Queen, supra*. They are mixed actions in law and equity. A strong presumption enhances objectivity and clear analysis in decision making. It clarifies and broadens the protection of the public from confusion and deception.

We therefore affirm the rule in the trademark context that, if the analogous statute of limitation has not elapsed, there is a strong presumption that plaintiff's delay in bringing the suit for monetary relief is reasonable. Only rarely should laches bar a case before the analogous statute has run. *Cf. Shouse v. Pierce County*, 559 F.2d 1142, 1147 (9th Cir.1977) (noting in the context of § 1983 action that it is "extremely rare for laches to be effectively invoked when a plaintiff has filed his action before limitations in an analogous action of law has run.")

## III.

The District Court did not consider the application of the presumption to the facts of this case.[1] The applicable statute is the three year statute for tortious injury to property, Tenn.Code Ann. § 28-3-105 (1980). To set aside the presumptive period, a court must articulate compelling reasons. Although the trial court here correctly placed the burden on each of the laches elements on the defendant, the court did not test the defendant's proof against a standard that presumed Tandy's 32-month delay to be reasonable.

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[1] The standard requiring only unreasonable delay and prejudice to the defendant used by the District Court below has been used by other courts in cases in which the plaintiff sought to extend the normal legal statute of limitation period, *see Gardner v. Panama R.R. Co.*, 342 U.S. 29, 30-31, 72 S.Ct. 12, 13-14, 96 L.Ed. 31 (1951), or cases in which no issue has been made regarding the presumptive effect of the analogous statute of limitation, *see, e.g., American Home Products Corp. v. Lockwood Mfg. Co.*, 483 F.2d 1120 (6th Cir. 1973); *Cuban Cigar Brands N.V. v. Upmann International, Inc.*, 457 F.Supp. 1090 (S.D.N.Y.1978), *aff'd* 607 F.2d 995 (2d Cir. 1979). This more general, less rigorous standard should not be used when the plaintiff brings an action prior to expiration of a presumptively effective statute of limitation.

When we apply this standard to the present case, it is clear that Tandy's behavior does not compel the extraordinary imposition of laches before the analogous statute has run.[2] Malone and Hyde has pointed to no evidence of bad faith on Tandy's part, nor of any effort by Tandy to mislead Malone and Hyde. There is no evidence of behavior amounting to acquiescence, a doctrine related to laches relying on express or implied consent theories, by Tandy. A reasonable businessman should be afforded some latitude to assess both the impact of another's use of an allegedly infringing trademark as well as the wisdom of pursuing litigation on the issue. The 32-month delay may be evidence of corporate indecision but it is not so unreasonable as to overcome the presumption afforded by the analogous 3-year statute.

## IV.

In addition to its conclusion that Tandy's 32-month delay was sufficiently unreasonable to invoke laches, the District Court held that Malone and Hyde justifiably relied on Tandy's inaction against Scavariel's Arizona-based AUTO SHACK store. The District Court essentially held that Malone and Hyde could "tack on" the time during

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[2] In the context of purely equitable relief, the correct standard may be the somewhat more general and discretionary standard of determining only unreasonable delay and prejudice to the defendant. *See Patterson v. Hewitt*, 195 U.S. 309, 25 S.Ct. 35, 49 L.Ed. 214 (1904). To deny injunctive relief in trademark litigation, however, some affirmative conduct in the nature of an estoppel, *see, e.g., James Burrough Ltd. v. Sign of Beefeater, Inc.*, 572 F.2d 574, 578-79 (7th Cir.1978), or conduct amounting to "virtual abandonment," *see University of Pittsburgh v. Champion Products, Inc.*, 686 F.2d 1040, 1044-45 (3d Cir.1982) , is necessary. On the basis of the record before us, Tandy's behavior does not fit either of the above categories. Therefore, the District Court erred in using laches to bar both forms of relief.

which Scavariel developed the marks in Arizona, a period of three years, to demonstrate further the unreasonableness of Tandy's delay.

This holding is error. For purposes of laches an assignee of a trademark can tack on the period during which the assignor used the mark, *PepsiCo, Inc. v. Grapette Co.*, 416 F.2d 285 (8th Cir.1969), but only when the mark is assigned in conjunction with the sale of the goodwill of the business to which it is attached. Section 10 of the Lanham Act, 15 U.S.C. § 1060 (1982), so provides.[3] There was no such transfer here.

Scavariel had developed an apparently prosperous Phoenix based business, and had generated goodwill from the consuming public in that geographic area. Had Scavariel sold his Phoenix business to Malone and Hyde along with his permission for Malone and Hyde to use the name AUTO SHACK, he would have assigned both the mark and its goodwill. Instead, Scavariel kept the Arizona business. Although he was forthcoming and helpful to Malone and Hyde in providing information about auto parts marketing, perhaps with an eye toward a future working relationship or merger, he did nothing that conveyed to Malone and Hyde the good will of the business. *See Greenlon, Inc. of Cincinnati v. Greenlawn, Inc.*, 542 F.Supp. 890 (S.D.

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[3] Section 10, 15 U.S.C. § 1060 provides in relevant part:

> A registered mark or a mark for which application to register has been filed shall be assignable with the goodwill of the business in which the mark is used, or with that part of the goodwill of the business connected with the use of and symbolized by the mark, and in any such assignment it shall not be necessary to include the goodwill of the business connected with the use of and symbolized by any other mark used in the business or by the name or style under which the business is conducted. Assignments shall be by instruments in writing duly executed. . . .

Ohio 1982), for similar facts and reasoning. The transaction functioned as a naked assignment and nothing more. Thus, a tacking argument dependent on an assignment theory fails.

In addition, Malone and Hyde may not justifiably rely on Tandy's inaction against Scavariel in a contained geographic area as a bar to challenging their widespread use of the mark in areas outside of that contained area. *See Conan Properties, Inc. v. Conans Pizza, Inc.*, 752 F.2d 145 (5th Cir.1985). Tandy's failure to object to limited geographic use of a mark does not bar it from objecting later to widespread use of the mark. *Id.* at 152.

Accordingly, the judgment of the District Court is reversed and remanded for proceedings not inconsistent with this opinion.

## APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

**No. 84-5277**

TANDY CORPORATION,
Plaintiff-Appellant

v.

MALONE & HYDE, INC.,
Defendant-Appellee

**ORDER DENYING PETITION FOR REHEARING EN BANC**

[Filed Nov 26 1985 John P. Hehman Clerk]

Before: MERRITT and CONTIE, Circuit Judges; and KINNEARY,* District Judge

Counsel for defendant has filed a strongly worded en banc petition criticizing the Court with a heavy hand for adopting "with great fanfare," according to the petition, the principle that the law presumes that in a suit in equity for trademark infringement the laches period will be the limitations period otherwise applicable to an analogous action at law, absent extraordinary circumstanees. The cases cited by defendant do not stand for a contrary proposition. For example, this Court's two opinions in *TWM Mfg. Co. v. Dura Corp.*, reported at 592 F.2d 346 (1979), and 722 F.2d 1268 (1983), support the principle adopted in the instant case rather than a contrary principle as claimed by defendants in the petition. In *Dura* we called the bar's attention to the "normal equitable practice which

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* The Honorable Joseph P. Kinneary, Judge, United States District Court for the Southern District of Ohio, sitting by designation.

considers the passage of time equivalent to a comparable statute of limitations as presumptive of laches," 592 F.2d 348. We also said, "to defeat prospective relief, Dura must prove the elements of equitable estoppel," 722 F.2d 1268.

Among the cases which actually meet and discuss the question of the effect of an analogous legal limitations period on laches, the Court finds no case which rejects the principle adopted. Counsel suggests no alternative principle other than leaving the cutoff period to the complete discretion of the trial court. For good reason, the law does not favor subjective judgments of this type incapable of review.

The petition also criticizes the Court for not giving sufficient weight to the claim that defendant is a large company which has invested large amounts of capital to open new stores across the country under the challenged trade name. The defendant argues that these large expenditures of capital, together with the 32 months delay, should be sufficient to invoke laches.

Equity does not normally favor the wealthy or those who can make large investments over those whose investments are small. The expenditure of large sums of money to appropriate another's trade name is no more justifiable in the eyes of the law than the expenditure of small sums to appropriate another's trade name. The law does not permit a court to refuse to reach the merits of a case by applying laches because a party is capable of spending large sums in the pursuit of the course of conducts that is alleged to constitute the wrong.

In addition, if on the merits it should be determined that the defendant has appropriated plaintiff's trade name, defendant will not necessarily lose its investment as defendant suggests. A simple change of name is a possible remedy. Such a remedy should not produce any substantial waste of economic resources already invested by the

defendant. Therefore, defendant's invested capital argument is not entitled to much weight.

Therefore, as previously pointed out in the Court's opinion, the defendant's laches argument must fail and the case must be remanded to the District Court for further trial proceedings.

A majority of the court having not voted in favor of an en banc rehearing, the petition for rehearing has been referred to the hearing panel for disposition.

Upon consideration, it is ORDERED that the petition for rehearing be and hereby is denied.

ENTERED BY ORDER OF THE COURT
/s/ JOHN HEHMAN
Clerk

## APPENDIX C

UNITED STATES DISTRICT COURT
M.D. Tennessee
Nashville Division

**No. 82-3380**

TANDY CORPORATION

v.

MALONE & HYDE, INC.

March 1, 1984

*MEMORANDUM*

WISEMAN, District Judge.

This action is before the Court on defendant's motion for summary judgment based on the equitable defense of estoppel by laches. Plaintiff Tandy Corporation is a publicly held Delaware Corporation, headquartered in Fort Worth, Texas, and is record owner of the marks RADIO SHACK, THE SHACK, and SHACK. Plaintiff owns or franchises more than six thousand RADIO SHACK retail outlets that specialize in consumer electronic goods, including merchandise designed for automotive use.

Defendant Malone & Hyde, Inc., is a Tennessee corporation headquartered in Memphis, Tennessee, that traditionally has engaged in food distribution and specialty retailing. Since July 1979 defendant has operated a chain of retail auto parts stores under the trade name and source mark AUTO SHACK.

Plaintiff's complaint in this case alleges service mark and trademark infringement, false designation of origin, unfair competition and trademark dilution, with damages and injunctive relief requested. Jurisdiction of the Court, which

is uncontested, is authorized under 15 U.S.C. § 1121 and 28 U.S.C. §§ 1332(a)(1), 1338(a), and 1338(b).

### I. Background

In 1977 defendant began investigating the retail auto parts industry to determine whether it might profitably enter the industry by acquiring an existing retail auto parts business. A number of potential acquisition candidates were considered and rejected [1] during 1977 and 1978, and an unsuccessful bid made to acquire Chief Auto Parts in Southern California. In the spring of 1978 defendant became interested in Auto Shack, Inc., a retail auto parts business founded in 1975 by Mr. Albert J. Scavariel and headquartered in Phoenix, Arizona. In 1978 Mr. Scavariel was operating six or seven Auto Shack outlets, including one opened in 1976 at 3334 West Van Buren in the same shopping center with a Radio Shack. Defendant decided that Auto Shack, Inc., was the best-managed retail auto chain it had encountered and in September 1978 reached a tentative merger agreement with Mr. Scavariel. Mr. Scavariel ultimately decided not to consummate the proposed merger, but he indicated he very much wanted to resume merger negotiations in the future. In addition, Mr. Scavariel offered to help defendant start its own retail auto parts business.

Mr. Scavariel introduced defendant to his suppliers, advised defendant on inventory design and invited defendant's employees to work for a couple of weeks in his Auto

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[1] Among the companies considered were Checker Auto Parts, owned by Valley Distributing Company of Phoenix, Arizona; Parts, Inc., of Memphis, Tennessee; Nationwide Auto Parts, headquartered in Columbus, Ohio; Hi-Lo Stores, headquartered in Houston, Texas; Crazy Joe, of North Carolina; Fleenor's Auto Parts, headquartered in Indianapolis, Indiana; and Stinger Sam, of Springfield, Missouri.

Shack stores to observe his operation first-hand. Meanwhile, defendant began searching for a name for its new business and hired outside trademark counsel to investigate the availability of any name selected. In late 1978 defendant considered the names "Auto Wise" and "Auto Mart," but abandoned them when counsel advised that those names were registered and in use.

With an eye to future affiliation, Mr. Scavariel offered in January 1979 to let defendant use the name AUTO SHACK in states other than Arizona. Up to that time Mr. Scavariel had never received objections to the AUTO SHACK name from plaintiff or anyone else, even though plaintiff was aware of Mr. Scavariel's use of the name as early as August 1976.[2] Mr. Scavariel is especially fond of the AUTO SHACK name because it mirrors his initials, A.S. Defendant was enthusiastic about using the AUTO SHACK name because of close cooperation with Mr. Scavariel and the hopes for future acquisition of Auto Shack, Inc. of Arizona.

Upon receiving Mr. Scavariel's offer, defendant directed its outside trademark counsel to research the availability and registerability of the AUTO SHACK name for retail auto parts stores. The search revealed a CYCLE SHACK and a VAN SHACK[3] in use, but failed to disclose any possible conflict with any of plaintiff's marks. Counsel advised defendant that no conflict existed and defendant decided to adopt the AUTO SHACK name. Mr. Scavariel

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[2] Although plaintiff was aware of Mr. Scavariel's Auto Shack stores as early as August 1976, no objection was made until December 1982, eight months after the filing of this claim.

[3] CYCLE SHACK was registered by Cycle Shack, Inc., of Houston, Texas, for motorcycles, bicycles, motorcycle trailers, and parts thereof. THE VAN SHACK was used by Van & RV Products, Inc., of Elkhart, Indiana, for wholesale and retail van parts and accessories.

wrote a letter to defendant dated January 23, 1979, stating that he "would be pleased for Malone & Hyde to use the name AUTO SHACK, YOUR SUPERMARKET FOR AUTO PARTS, for its new chain of auto stores." Mr. Scavariel's letter also stated that he wished to retain exclusive use of the name in Arizona. Defendant opened its first AUTO SHACK store in early July 1979.

Plaintiff learned of defendant's use of the name AUTO SHACK in July 1979 and in August 1979 consulted outside counsel with the resolution to sue defendant for trademark infringement. Plaintiff, however, neglected to notify defendant of its objections or intent to sue until March 1982, nearly three years after plaintiff decided to take action. In August 1979 defendant had opened five AUTO SHACK stores and had spent approximately $25,000 in promoting the name. By March 1982, when defendant first learned of plaintiff's objections, defendant had opened an additional 55 AUTO SHACK stores in seven states and had spent approximately $1.5 million promoting the name. Throughout the period from July 1979 to March 1982, plaintiff closely monitored the expansion of defendant's business and was aware of defendant's plans to expand to 150 stores by the mid-80's. In addition, during this time plaintiff failed to take legal action against Mr. Scavariel's use of AUTO SHACK, or against other AUTO SHACK stores of which it was aware in Alabama, Florida, Utah, and California.[4] Plaintiff, however, pursued a substantial

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[4] Plaintiff was aware of Auto Shack, Inc. of Fort Lauderdale, Florida, since 1977, but no objection was made until December 1982. Plaintiff has been aware of an Auto Shack store in Granada Hills, California, since early 1981, but no objection had been made as of June 1983. Plaintiff has been aware of an Auto Shack store in Atmore, Alabama, since April 1982, but no objection was made until December 1982. Plaintiff was aware of Auto Shack stores in Provo and Orem, Utah, since October 1978, but no objection was made until March 1979.

number of infringement claims between 1976 and 1982 with demand letters that almost always were sent within several months and most often within one month, after the time plaintiff became aware of the offending use.

Plaintiff filed this suit for infringement on April 15, 1982. Defendant moves for summary judgment and argues estoppel by laches. Both parties have filed depositions, answers to interrogatories, affidavits and briefs, and a hearing on the motion was held on October 26, 1983. For the following reasons, the Court grants defendant summary judgment on the basis of laches and accordingly denies plaintiff all relief requested.

### II. Estoppel by Laches

#### A. *General Requirements*

The defense of estoppel by laches denies relief to a litigant who has been guilty of unreasonable delay in enforcing his rights when that delay results in a prejudicial reliance by the opposing party.[5] *American Home Products*

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[5] Some courts and commentators include in the definition of laches the innocence of the party asserting the estoppel. Callman, Unfair Competition, Trademarks and Monopolies § 22.24 (4th ed.). This issue, however, concerns the scope of the estoppel rather than its existence. Laches in some instances can estop an accounting for profits made during the delay despite an intentional infringement. *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway & Sons*, 523 F.2d 1331, 1344 (2d Cir.1975); *San Francisco Association for the Blind v. Industrial Aid for the Blind, Inc.*, 152 F.2d 532 (8th Cir.1946); 2 McCarthy, Trademarks & Unfair Competition § 31.2. If the party seeking the estoppel, however, acted fraudulently or with knowledge of the delaying party's rights, courts will not estop injunctive relief unless the delay amounts to virtual abandonment of the mark. *Tisch Hotels, Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 614-615 (7th Cir.1965). *See also* discussion in text, *supra*, Part II B.

*Corp. v. Lockwood Manufacturing Co.*, 483 F.2d 1120 (6th Cir.1973); Callman, Unfair Competition, Trademarks & Monopolies § 22.21 (4th Ed). The length of delay necessary to establish laches depends on the circumstances of each case, and especially on the degree of injury and prejudice to the party asserting the defense. *See Fruit Industries v. Bisceglia Brothers,* 101 F.2d 752 (3d Cir.1939) (three year delay held sufficient). The holder of a trademark may not wait to see how successful an alleged infringer's business will be before seeking relief. *Polaroid Corp. v. Polorad Electronics,* 287 F.2d 492 (2d Cir.1961).

Defendant in this case contends that plaintiff's 32 month delay in communicating any objection concerning defendant's use of AUTO SHACK, in addition to plaintiff's longstanding failure to protest Mr. Scavariel's use of the mark, was inexcusable delay upon which defendant relied in expanding its business and spending $1.5 million in promotions. Defendant contends that had it been made aware of plaintiff's objections in July or August 1979, when very little investment had been made in the mark, that defendant would have chosen a different name to avoid expensive and protracted infringement litigation.

Plaintiff argues that the 32 month delay in notifying defendant was a reasonable amount of time to cautiously and maturely investigate the suspected infringement before provoking a controversy, and that the failure to protest Mr. Scavariel's use of AUTO SHACK is irrelevant to this action. In addition, plaintiff contends that defendant did not detrimentally rely on plaintiff's delay because defendant was aware of the RADIO SHACK mark, was aware of confusion between the two marks early in the expansion process, and would have expanded and promoted AUTO SHACK even if plaintiff had objected in August 1979. Plaintiff concludes that the issues of delay and reliance at the very least remain in dispute, which makes this action inappropriate for summary judgment.

The Court finds that plaintiff's delay in this case was inexcusable and unreasonable. No excuse exists and none was offered to explain plaintiff's failure to at least notify defendant in late 1979 that plaintiff objected to the use of AUTO SHACK, especially since sending timely demand letters is plaintiff's normal practice. Lack of knowledge may be an excuse, *Chandon Champagne Corporation v. San Marino Wine Corporation,* 335 F.2d 531 (2d Cir. 1964), but plaintiff admits it was fully aware of defendant's use of the mark in July 1979 and even decided to pursue litigation by August 1979. Plaintiff made a half-hearted attempt to offer a "pending litigation" excuse. Courts have held that delays in filing trademark causes of action may be reasonable in cases in which plaintiff is involved in other litigation on the mark. *Electronic Communications, Inc. v. Electronic Components For Industry Co.,* 443 F.2d 487, 490 (8th Cir.1971). Other litigation, however, does not excuse a failure to give prompt warning. In *American Home Products, supra,* an analogous patent case, the Sixth Circuit Court of Appeals rejected the "other litigation" explanation as an excuse for plaintiff's delay in notifying defendant that plaintiff intended to sue. The court in *American Home Products* stated that if plaintiff had intended to press its claims against defendant following other litigation, it surely would have found time to send defendant a simple letter to that effect.[6]

The allowable period of time during which an injured party may rest upon his rights varies with the circum-

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[6] The court explained that

> This notification is important, partly because it puts the accused infringer on notice that a suit will be filed against him on this issue, and partly because it permits him to bring a declaratory judgment action if the delay in waiting for a judicial determination would be a burden upon his proposed operation.

483 F.2d at 1123.

stances of each case, and is intertwined with the degree of detrimental reliance exercised by defendant. *Yellow Cab Transit Company v. Louisville Taxicab & Transfer Company,* 147 F.2d 407, 415 (6th Cir.1945); *see also* Callman, *supra at* § 22.25. Although it contends that defendant's detrimental reliance is a material issue that remains in dispute, plaintiff has submitted no evidence to counter defendant's testimony that it would not have retained the AUTO SHACK name had plaintiff objected in August 1979 before defendant expanded its business and spent $1.5 million in promotions. If a plaintiff's failure to pursue its rights causes a defendant to rely by building and expanding a valuable business around a trademark, then sufficient detrimental reliance exists for estoppel by laches. *Hylo Company v. Jean Patou, Inc.,* 215 F.2d 282 (C.C.P.A. 1954); *see also* McCarthy, *supra* at § 31:5. In addition, defendant submitted examples of names it had chosen and then abandoned when a possibility of infringement was found. That a defendant was aware of the existence of RADIO SHACK is not sufficient for an inference that defendant knew plaintiff would object to the use of AUTO SHACK. Mere conclusory allegations will not suffice to defeat a motion for summary judgment. Plaintiff must set forth specific facts showing a genuine issue for trial. *First National Bank of Arizona v. Cities Service Company,* 391 U.S. 253, 88 S.Ct. 1575, 20 L.Ed.2d 569 (1968).

Considering plaintiff's failure to notify defendant of any objectons, the 32 month delay that directly concerns defendant is completely inexcusable and resulted in sufficient detrimental reliance for estoppel by laches. *See Simon Says Enterprises, Inc. v. Milton Bradley Company,* 522 F.Supp. 986 (S.D.N.Y.1981) (two year delay); *Fruit Industries v. Bisceglia Brothers, supra,* 101 F.2d at 754 (three year delay). Moreover, the Court finds that defendant also reasonably relied upon plaintiff's failure to object to Mr. Scavariel's use of AUTO SHACK for three years

prior to defendant's adoption of the name. Plaintiff cites *Pepsico, Inc. v. Grapette Company,* 416 F.2d 285 (8th Cir. 1969), to support its argument that defendant may not "tack on" plaintiff's delay in objecting to Mr. Scavariel because defendant obtained only an "assignment in gross" from Mr. Scavariel. The court in *Pepsico* held that where defendant soft drink bottler was assigned a trademark but did not acquire any formula or process used in making the assignor's cola, or any good will associated with the mark, and defendant used the mark on a different type of beverage, defendant had no standing to raise the defense of laches based on plaintiff's failure to object to the assignor's use of the mark. Defendant in this case contends that Mr. Scavariel's permission to use the AUTO SHACK mark was given not as an assignment in gross, but as a covenant not to sue. Whatever the label attached to the transfer, and without passing on its scope or validity, defendant's use of Mr. Scavariel's mark easily is distinguishable from the facts of *Pepsico.* Defendant acquired not only a name but a process, marketing concept, supplier network, and management system from Mr. Scavariel. In addition, defendant used the mark on the very same product as did Mr. Scavariel. Defendant's use of Mr. Scavariel's mark comes as close to being an acquisition of an existing business as is possible without actually consummating a merger. Thus, a three year delay added to a 32 month delay makes defendant's reliance upon plaintiff's inaction all the more reasonable and makes plaintiff's delay all the more inexcusable.

B. *Relief Barred*

The United States Supreme Court specifically made laches available as an equitable defense barring injunctive relief in *United Drug v. Rectanus Company,* 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141 (1918). *See also Prudential Insurance Company v. Gibraltar Financial Corp.,* 694 F.2d

1150 (9th Cir.1982). Once the general elements of estoppel by laches are established, the decision of what, if any, relief is barred by the laches depends on the circumstances of each case, *Yellow Cab Transit Company v. Louisville Taxicab & Transfer Company, supra,* and usually includes a consideration of defendant's guilt or innocence and the injury to defendant or to the public resulting from the granting or barring of relief. *Standard Oil Company v. Standard Oil Company,* 141 F.Supp. 876 (D.C.Wyo.1956), *aff'd* 252 F.2d 65 (10th Cir.1958); Callman, *supra* § 22.23. Plaintiff in this case argues that defendant's good faith in adopting the AUTO SHACK mark is in dispute, that the public would be harmed by the barring of injunctive relief in this case, and that the Court in its decision also should consider the factors enumerated in *Carl Zeiss Stiftung v. V.E.B. Carl Zeiss Jena,* 293 F.Supp. 892 (S.D.N.Y.1968), *aff'd* 433 F.2d 686 (2d Cir.1970), *cert. denied* 403 U.S. 905, 91 S.Ct. 2205, 29 L.Ed.2d 680 (1971). The court in *Zeiss* stated that the decision to bar injunctive relief depends on a balancing in each case of the interests and equities of the parties, including the strength and value of the mark asserted, plaintiff's diligence in enforcing the mark, the harm to plaintiff, the good faith of defendant, the degree of direct competition between plaintiff and defendant, the harm to defendant, and the harm to the public. 293 F.Supp. at 917.

Defendant has demonstrated its good faith adoption of the AUTO SHACK mark and plaintiff has countered with nothing more than conclusory allegations of bad faith that fail to demonstrate a genuine issue for trial. *See First National Bank of Arizona v. Cities Service Company, supra.* No dispute exists that defendant adopted the mark from Mr. Scavariel because of the close cooperation and hope for future merger between the two. Also, defendant offered proof of its specific intent to choose a non-infringing mark in its rejection of the names AUTO MART and

AUTO WISE. Plaintiff alleges that defendant's awareness of the existence of RADIO SHACK and defendant's experience with early confusion between the two marks evidences bad faith in defendant's adoption and continued use of the mark. Mere knowledge of another's use of a similar mark, however, does not establish bad faith. Rather, proof of an intent to deceive or confuse the public is necessary to defeat a bar by laches to injunctive relief. *Armco, Inc. v. Armco Burglar Alarm Company,* 693 F.2d 1155, 1159 n. 7 (5th Cir.1982). In addition, the few instances of early confusion that plaintiff submits as evidence of bad faith are at best marginally probative of confusion and in no way support an inference of intent to deceive.[7]

Those few instances of initial confusion cited in affidavit or depositon do not support an inference of public harm if defendant is allowed to continue its use of the AUTO SHACK mark, nor does this create an issue of controlling fact necessitating a trial. No statistical surveys were offered to show substantial customer deception or confusion by the concurrent existence of RADIO SHACK and AUTO SHACK. No instances were documented in which a customer came into an AUTO SHACK thinking he was in a RADIO SHACK, bought an item of the type sold at RADIO SHACK, and left without ever discovering his mistake. *See Jewel Companies, Inc. v. The Westhall Company,* 413 F.Supp. 994 (N.D. Ohio 1976). This lack of evidence is particularly glaring in light of the existence since 1976 of both a RADIO SHACK and an AUTO SHACK in the same Phoenix shopping center. Evidence of public harm or confusion surely would have surfaced in that side-by-side

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[7] Plaintiff contends that instances in which defendant learned of customer confusion, such as customers thinking they were in a RADIO SHACK or asking for a product carried by RADIO SHACK and not by AUTO SHACK, support an inference of intentional infringement and bad faith use of the mark.

situation. Moreover, plaintiff has not submitted any evidence that the product overlap between the two stores is so substantial that it would result in customer confusion. Plaintiff simply alleges that the product overlap concerns a material portion of its business. Once again, a conclusory allegation will not create a genuine issue for trial that will defeat a summary judgment motion.

The Court does not accept as a rule of law plaintiff's contention that the factors enumerated in the *Zeiss* case are the precise factors to be balanced in every estoppel-by-laches case, nor that each of these issues must be undisputed before summary judgment may be had on the basis of laches. Equitable remedies require a balancing of interests, but the precise factors that are material in each case vary with the circumstances. Nevertheless, a consideration of each of the *Zeiss* factors in this case only supports the court's conclusion that laches should bar injunctive as well as monetary relief. SHACK, a common word used for its dictionary meaning, is a weak mark. The mark is not "so arbitrary, fanciful or unique that it has come to symbolize the source of origin." *WLWC Centers, Inc. v. Winners Corp.*, 563 F.Supp. 717 (M.D. Tenn.1983). The large number of other users of the mark "SHACK" further demonstrates its weakness. *See Atlas Supply Company v. Atlas Brake Shops, Inc.*, 360 F.2d 16 (6th Cir.1966).[8] The weakness of the mark is especially pertinent to the length of plaintiff's delay in objecting to its use because more and prompter diligence is required to protect a weak mark. *See Hindu Incense v. Meadows*, 692 F.2d 1048 (6th Cir.1982). Plaintiff in this case has not exhibited noticeable diligence in enforcing its mark. Until this litigation was well under

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[8] In response to plaintiff's interrogatory No. 1, defendant produced 1006 examples of companies and individuals not related to plaintiff that use the word "SHACK" or derivatives thereof in commerce, either alone or in combination with other words and letters. Plaintiff did not dispute this response.

way plaintiff neglected to send even a demand letter to Mr. Scavariel, who has used the SHACK mark since 1976, or to the users of CYCLE SHACK and VAN SHACK. In addition, the promptness with which the evidence shows plaintiff sent demand letters to other alleged infringers further emphasizes plaintiff's lack of diligence in objecting to defendant's use of AUTO SHACK. Plaintiff has submitted no evidence of harm resulting from defendant's use of AUTO SHACK. In fact, the reasonable inference from plaintiff's failure to object to Mr. Scavariel's use of AUTO SHACK is that no harm resulted. As the Court discussed previously, plaintiff has failed to put at issue either defendant's good faith or its detrimental reliance on plaintiff's silence. The harm to defendant if an injunction issues is obvious. Not only would defendant lose the good will built up over the last four years and possibly lose the opportunity for a future merger with Mr. Scavariel, but it will be forced to spend additional monies changing signage and promoting a new name. Also, the Court concluded previously that no evidence exists that the public will suffer any great harm by defendant's continued use of the AUTO SHACK mark.

Finally, the Court finds this case unusually appropriate for summary judgment disposition over and above its lack of disputed factual issues because it is a non-jury case that, if litigated, would result in a complex, protracted, and very expensive trial.

Thus, after considering the interests and equities of the parties and the public, the Court grants summary judgment to defendant on the basis of estoppel by laches. Accordingly, all relief requested by plaintiff is denied.

# APPENDIX D

**Sec. 34 (15 U.S.C. 1116). Remedies**

(a) *Injunctions.* The several courts vested with jurisdiction of civil actions arising under this Act shall have power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office. Any such injunction may include a provision directing the defendant to file with the court and serve on the plaintiff within thirty days after the service on the defendant of such injunction, or such extended period as the court may direct, a report in writing under oath setting forth in detail the manner and form in which the defendant has complied with the injunction. Any such injunction granted upon hearing, after notice to the defendant, by any district court of the United States, may be served on the parties against whom such injunction is granted anywhere in the United States where they may be found, and shall be operative and may be enforced by proceedings to punish for contempt, or otherwise, by the court by which such injunction was granted, or by any other United States district court in whose jurisdiction the defendant may be found.

**Sec. 35 (15 U.S.C. 1117). Remedies—recovery for violation of rights**

(a) When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages

or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sale only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.